

# The Price of Reliable Water: How Rising Construction Costs Impact Water Rates

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Growth and investment in North Texas can be a great thing, bringing new friends, neighbors and business opportunities to the region. To meet these demands, construction of roads, homes and public infrastructure is underway in many of our communities.

In fiscal year 2026, the North Texas Municipal Water District (NTMWD) is investing \$1.77 billion in capital improvement projects to ensure infrastructure is in place to provide water, wastewater and solid waste services to our service area as it continues to develop.

These large-scale projects, which often span multiple years and cost hundreds of millions of dollars, make up a significant portion of the wholesale rates we charge to our Member Cities and Customers. The projects vary—some are new pipelines or expanded water or wastewater treatment plants, others repair and maintain existing infrastructure. But all the projects are necessary to safeguard the health and safety of our region as well as maintain the economic stability and growth that benefits all of Texas.

As with most expenses, construction costs have been rising for the past several years, which also leads to a rise in wholesale rates. But there are other contributing factors that create a “perfect storm” that are making building costs increase more rapidly. We’re competing with both public and private ventures for the same resources needed to fabricate, build and power our infrastructure.

## **Construction Materials Prices Continue to Rise**

The price of concrete, which has increased more than 40 percent over the last five years, is a good example of how competition is driving the cost of construction. We use concrete to build structures like pump stations, lift stations, clarifiers, and all the pavement needed to drive around them. Other utilities and developers are using it for

similar types of projects. The Texas Department of Transportation also uses vast amounts of concrete in its projects. The number of ongoing road construction projects in Texas is putting pressure on the supply of concrete and increasing costs.

The scarcity of power equipment, like transformers, is another issue faced by NTMWD and other organizations nationwide. We use transformers to power the pumps that keep water flowing in our system. As the energy needs for new data centers and AI-related facilities increase across the state, so does the demand for transformers. The delivery timeline for transformers required on our projects has stretched to two years.

Most of our contractors have historically been able to negotiate with vendors on the pricing of construction materials, but the increased demand for items such as concrete and electrical equipment removes the incentives for suppliers to lower prices. Additionally, some of the equipment or raw materials we use are imported and may be subject to tariffs, which could also increase the price.

### **Regional Growth Increases Competition for Contractors**

Another area of intense competition is securing contractors to build our capital improvement projects. As a public agency, we follow regulations in our bidding process that ensure transparency, fair competition and value. While these regulations promote financial stewardship, they can make our processes slower and less flexible than private developers.

Fewer contractors are bidding on our larger, more complex projects, which is an industry-wide trend. As construction bidding and operating procedures continue to evolve, we are exploring ways to evolve with them while remaining good financial stewards. Although we're still using the traditional design-bid-build model, we're also using alternate delivery methods like Construction Manager at Risk (CMAR). CMAR and other methods are becoming more standard with contractors, so we have evolved with industry.

CMAR guarantees a maximum project cost to NTMWD, as the contractor takes the risk for any cost overruns. This method also fosters increased collaboration between project owners, designers and contractors, which improves cost control and can lead to more efficient processes.

We've changed the way we list design-bid-build projects as well. The minimum requirement is to publish the project advertisement for two consecutive weeks. We often extend the bidding period to six weeks to garner more contractor interest and provide ample time to prepare bids for our projects.

Regardless of the delivery method, the shortage in the labor market and equipment expenses continue to drive cost increases, which are reflected in the bids we receive from contractors.

## **Water Conservation's Role in Mitigating the Cost of Infrastructure**

We are doing everything we can to lessen the impact of capital improvement projects on wholesale rates, like validating the timing and scope of projects and working to attract more contractors to bid on them.

We know that ultimately, the people in our service area feel the impact of the cost of capital improvement projects when they pay their bills, so we monitor trends in population and construction costs before seeking approval for any project. We also have a very robust asset management program to prolong the life of our existing assets and further minimize the impact on the capital program.

Although there are construction projects for all our essential services, it's often the projects that involve moving and treating water that are most impactful to the people in our service area. We can't control how rapidly our area grows and develops, but each of us can control how efficiently we use our water supplies. Because 80 percent of our projects are based on growth and usage, it's possible to defer some of the water capital projects if projections show a trend of decreased water use. Conservation is our first and least expensive water supply. Working together to use less water can help decrease the impact of capital improvement plans on our water rates.